

Statement of

The Honorable Herb Kohl

United States Senator
Wisconsin
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Good afternoon. Our hearing today will examine the consolidation currently underway in the Internet advertising industry, including the planned acquisition of DoubleClick by the Internet giant Google. Advertising on the Internet is a \$ 17 billion dollar business annually and is growing by about 30% per year, an amount that will only continue to increase as more news and entertainment content is delivered over the Internet. With similar acquisitions announced by Microsoft, Yahoo, and AOL, the total value of merger activity in this industry exceeds \$ 30 billion dollars so far this year. But much more than Internet advertising is at stake. This consolidation has profound consequences for all those who use the Internet, and for all of those who sell products and services on the Internet.

The Internet offers consumers an amazing array of information and entertainment choices. Best of all, beyond the fee consumers pay to access the Internet, this incredible wealth of information is available for free. But the companies that bring this content to consumers - recognizable names including Google, Microsoft and AOL -- are not charitable organizations. Advertising is the fuel that drives the Internet. Search companies like Google sell advertisers the right to place advertising on their search result pages, advertising which is highly targeted based on the words used in the consumer's search. And content companies like CNN.com or Washingtonpost.com make money by selling graphics rich "display ads" on their websites. These display ads are closely related to the content of the web page and the demographics of the audience that views the web page. The leading company placing Internet display ads on behalf of advertisers and on behalf of web site owners is DoubleClick.

Currently under review at the FTC is Google's planned acquisition of DoubleClick. For literally hundreds of millions of Americans - and consumers around the world - the name "Google" is synonymous with a quick, easy and reliable way to access a wealth of information and entertainment choices. Not even in existence a decade ago, Google has become universally known as the best and fastest way to search the Internet. And, harnessing the power of Internet advertising, Google has developed into one of the wealthiest and most profitable corporations in the world - with a current market capitalization of \$ 170 billion dollars - in its short corporate life.

Google now seeks to acquire DoubleClick. The acquisition of the leading server of display ads - DoubleClick --- by the dominant seller of search based text ads - Google -- obviously warrants close examination by the antitrust regulators at the FTC. Will advertisers and Internet publishers have no choice but to deal with Google, giving Google a stranglehold over Internet advertising and the power to raise ad rates? Once these two companies have joined forces and combined their gigantic information resources, will the barriers to entry for a new entrant into the marketplace simply be too high? On the other hand, will the likely benefits to the advertising market and consumers by improving the targeting and precision of Internet advertising outweigh the potential damage to competition arising from this merger?

But this merger - and the ongoing consolidation in the Internet advertising industry as a whole - raises equally important issues of consumer privacy. Google collects an enormous amount of information on computer users' search history and Internet preferences. DoubleClick also collects a vast amount of information regarding consumers' Internet preferences. While DoubleClick assures us today that this information is shared with no one other than the advertiser or the web site carrying the advertising, what will happen to this treasure trove of consumer data once Google gains control of DoubleClick? Do consumers need to worry about the security and use of their private, personal information as Google continues to grow more powerful?

Some commentators believe that antitrust policymakers should not be concerned with these fundamental issues of privacy, and merely be content to limit their review to traditional questions of effects on advertising rates. We

disagree. The antitrust laws were written more than a century ago out of a concern with the effects of undue concentrations of economic power for our society as a whole, and not just merely their effects on consumers' pocketbooks. No one concerned with antitrust policy should stand idly by if industry consolidation jeopardizes the vital privacy interests of our citizens so essential to our democracy.

In closing, let me stress that we have not reached a conclusion with respect to any of the vital questions we will explore today at our hearing. We have an open mind and need to examine these issues closely as the stakes for our society and the increasingly Internet based economy are very high.

I look forward to the testimony of our distinguished panel of witness on this important topic. Senator Hatch, do you wish to make any opening remarks?